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July 13, 2016

President Michael Picker
Commissioner Michel Florio
Commissioner Catherine J.K. Sandoval
Commissioner Carla Peterman
Commissioner Liane Randolph
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: HOLD REQUEST FOR RESOLUTION E-4783

Dear Commissioners:

Item 5 on the July 14, 2016 Commission agenda is Resolution E-4783 which concerns the last and ostensibly final round of the Renewable Auction Mechanism (RAM) program as well as approval of a Green Tariff/Shared Renewables (GTSR) program contract procured through RAM VI. I am writing on behalf of San Diego Gas & Electric (SDG&E) to request that the resolution be held for future consideration so that we may have a reasoned discussion about the costs and implications of this resolution and other similar programs. The consequence of approval of this resolution, which would require SDG&E to procure additional capacity from stale RAM VI bids or conduct a new RAM VII solicitation, will result in a substantial, long-term burden on our ratepayers despite the Commission's conclusion that the RAM program objectives have been met.¹

SDG&E is a strong supporter of California's path-breaking greenhouse gas reduction policies. As you know, we have reached the 33% Renewable Portfolio Standard (RPS) target five years ahead of time and are on track to meet a 50% RPS target by 2030, per Senate Bill 350. In terms of renewable procurement, energy efficiency, electric vehicle charging and many other ways, SDG&E is proud to advance California's climate change goals. However, we also have a responsibility to our customers to do so at the lowest cost.

¹ D.14-11-042 at 91 finding that "the original objectives of RAM have been met".

Decision (D.) 10-12-048 established a RAM program goal of 165 MW² for SDG&E but provided flexibility to the utilities to decline to procure resources that are not cost-competitive with other market alternatives³ thereby avoiding must-take federal law issues.⁴ SDG&E has diligently sought to procure resources through RAM as directed by the Commission under the supervision of an independent evaluator and in consultation with its Procurement Review Group. Ultimately, we contracted for more than 140 MW of resources over the six solicitations and shortlisted nearly twice that amount, but declined to contract for additional resources due to a lack of cost competitiveness. Despite SDG&E's efforts, many counterparties declined their shortlist position and many projects failed. Consequently, only 63 MW have been developed through RAM.

Res. E-4783 would have SDG&E procure 102 MW, the difference between the capacity of projects developed through RAM and the current program targets, either by taking additional projects out of the last RAM solicitation (RAM VI) or conducting another round of procurement (a RAM VII). This is troubling for a number of reasons, not the least of which is that we do not need these resources to serve our customers reliably, let alone to meet RPS/SB 350 goals or achieve RAM program objectives. We feel it is inappropriate to saddle our ratepayers with hundreds of millions of dollars of additional cost to no apparent end.

As the Commission moves toward integrated resource planning, we feel this kind of resource- or mechanism-specific procurement must be reconsidered. We would welcome the opportunity to have a constructive discussion with you about resource planning and procurement in general and how programs like RAM fit into resource planning. I urge you to postpone consideration of Res. E-4783 until we have had such a conversation.

Finally, let me note that SDG&E fully supports approval of the Solar Frontier GTSR contract. It is unfortunate that this contract, which was submitted to the CPUC on January 15, 2016, was not approved earlier and/or separately. In comments, SDG&E recommended this non-controversial contract be separated out from the draft resolution and approved expeditiously.

Thank you for your consideration of this request.

Sincerely,



Dan Skopec
Vice President, Regulatory Affairs

Attachment: Comments on Draft Resolution E-4783

cc: Ed Randolph, Energy Division
Service list R.15-02-020

² See D.10-12-048, D.12-02-002, and D.14-11-042.

³ D.10-12-048, at 3, 21, 36, Finding of Facts (FOF) 10, FOF 25, Conclusion of Law (COL) 3, COL 23, and Appendix A, 2.

⁴ D.10-12-048, 21.



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July 1, 2016

Energy Division Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Re: **COMMENTS ON DRAFT RESOLUTION E-4783**

Dear Energy Division Tariff Unit:

San Diego Gas & Electric Company ("SDG&E") respectfully submits these comments in response to Draft Resolution E-4783 ("Draft Resolution"), issued on May 27, 2016, which authorizes SDG&E's Power Purchase Agreement ("PPA") with Solar Frontier for the 97WI 8ME LLC project and orders SDG&E to procure additional MW finding that SDG&E has fallen short in meeting its Renewable Auction Mechanism ("RAM") target.¹ Due to multiple factual and legal errors, the Draft Resolution fails – and must be revised before it is issued -- in four critical areas.

First, the Draft Resolution wrongly positions and mischaracterizes the RAM program's capacity authorization as a mandated must-take obligation. This mischaracterization is fundamentally at odds with both federal law and Decision ("D.")10-12-048 ("the RAM Decision"). The RAM Decision expressly states that RAM is not a must-take obligation because it provides the IOUs with the discretion to reject bids if they are non-competitive compared to other renewable procurement opportunities.

Second, the Draft Resolution leaves absent critical analysis provided by SDG&E in Appendix C of AL 2849-E, which demonstrated that the bids SDG&E chose not to accept were non-competitive on a pricing (\$/MWh) basis compared to other bids in the solicitation as well as SDG&E's other renewable procurement opportunities. SDG&E's methodology for accepting and rejecting bids under the RAM program have been exhaustively reviewed by the Commission, the Procurement Review Group ("PRG") and SDG&E's Independent Evaluator, none of which expressed even the least concern with SDG&E's contracting activities. By contrast, all of these parties have in fact approved SDG&E's RAM contracting activities.

Third, the Draft Resolution ignores Commission findings stating that the reasons and rationales behind the RAM program (i.e. promoting the smaller renewable market and supporting the IOUs' RPS compliance goals) have been met. Requiring additional, unnecessary, expensive procurement in spite of the fact that RAM program goals have been met will establish a new, arguably shocking precedent, and it will force customers to bear the high costs for this unneeded power. SDG&E requests that the Commission carefully assess whether it indeed is intending SDG&E to obtain a significant new amount of unneeded power.

¹ The Draft Resolution disposes of SDG&E's advice letter ("AL") 2849-E, filed on January 15, 2016, seeking approval of the Solar Frontier PPA and explaining SDG&E's RAM capacity target shortfall.

Fourth, the proposed Resolution inaccurately and with no justification suggests that SDG&E did not put forth a good faith effort to meet its overall RAM targets, despite the undisputed facts that (i) SDG&E has signed over 140 MW of capacity through its various RAM solicitations, (ii) SDG&E has aggressively undertaken and achieved the Commission's RPS mandates, and again, (iii) all of SDG&E's power contracting activities have been scrutinized by the Commission since the RAM program's inception. Accordingly, the entirety of the Resolution (with the exception of its approval of SDG&E's PPA with Solar Frontier, which should be expedited) requires correction. At the very least, the Draft Resolution's determinations that SDG&E is in "non-compliance" and has not acted in good faith should be removed as they are factually incorrect.

In sum, SDG&E has fully and faithfully carried out the Commission's directives with respect to the RAM program. While SDG&E has fallen short on RAM capacity targets due to project failures and a lack of economic bids, it has met its RPS targets which does not equate to "non-compliance" or a lack of "good faith."

A. SDG&E Should Not be Required to Procure Additional RAM Program Capacity as RAM is not a Must-Take Program and Unselected RAM VI Bids Were Non-Competitive in Comparison to SDG&E's other Renewable Opportunities

During the development of the RAM program, a proposed RAM Decision was issued, and if adopted would have required the IOUs to solicit eligible projects up to 20 MW and accept all bids offered through the RAM program up to a capacity cap.² The IOUs disputed the legality of such an approach based on both federal and state law, and ultimately the final RAM Decision was changed, noting that such federal law issues were rendered moot, because the IOUs' were given discretion to reject RAM bids when the pricing of such bids were non-competitive compared to other renewable opportunities.³ Despite this Commission precedent, the Draft Resolution orders SDG&E "...to procure the remaining additional megawatts from the bids it received in its RAM VI solicitation."⁴ The proposal put forth by the Draft Resolution, requiring SDG&E to procure all RAM VI bids up to a capacity cap (102.3 MW), is exactly the same approach put forth in the proposed RAM Decision which, as explained above, was expressly **not** adopted in the final RAM Decision.

Thus, the Draft Resolution errs as a matter of law, as it is directly inconsistent with the Commission's foundational RAM Decision, which explained that (i) RAM is not a must-take program and the IOUs are not required to procure capacity up to a Commission determined cap,⁵ and (ii) federal law issues are rendered moot because the IOUs have discretion to reject RAM bids when such bids have non-competitive pricing compared to other renewable opportunities.⁶ Those clear holdings and that same logic applies here. The Commission has no legal ground on which to stand in enforcing RAM as a must-take obligation, therefore the Resolution should be corrected to state that SDG&E is fully compliant with the RAM program

² D.10-12-048, p. 21.

³ *Id.*

⁴ Draft Resolution, p. 7.

⁵ D.10-12-048, p. 21.

⁶ D.10-12-048, pp. 3, 21, 36, Finding of Facts ("FOF") 10, FOF 25, Conclusion of Law ("COL") 3, COL 23, Appendix A, p. 2.

requirements as outlined in the RAM Decision, and to remove the proposal that SDG&E be forced to procure any additional RAM capacity.

B. SDG&E Provided Sufficient Evidence and Proper Justification for its Decision to Not Contract With RAM VI Bids Beyond What it Attempted to Shortlist

The Resolution states that a “bid not being in the top 90 percentile of RAM bids is not sufficient evidence to establish that it is unreasonable and uncompetitive relative to the ‘IOU’s other renewable opportunities’ or even other RAM bids... SDG&E has not demonstrated that the unselected bids in the RAM VI solicitation are not reasonable.”⁷ This statement errs by omitting any discussion of the comprehensive set of facts (data) contained within SDG&E’s AL 2849-E (specifically, Appendix C Valuation Process Summary), the IE report, as well as the fact that the Commission approved SDG&E’s AL 2669-E (which resulted in no executed RAM V contracts also due to a lack of competitive pricing pursuant to the same metric and rationales utilized in AL 2849-E). These data are hereby included as Attachment A to this Response so they are clearly part of the record and are not overlooked.

The RAM Decision directs the IOUs to “evaluate the supply curve of bids received in an auction and assess whether any of the bid prices are unreasonable and uncompetitive relative to the IOU’s other renewable opportunities.”⁸ The development of this threshold is left to the IOU, as explained in Resolution E-4414, “D.10-12-048 purposely did not define these terms ***so that the IOUs could use their discretion based on their nearly ten years of experience procuring renewable energy through a competitive process.***”⁹ Accordingly, SDG&E took a three-pronged approach to analyzing the cost competitiveness of bids and analyzed the bids received both as they relate to one another on a percentile and cost basis, and as they relate to other comparable RPS contracting opportunities. Appendix C of AL 2849-E (attached) fully explains this process in detail.

First, SDG&E compared all bids received in RAM VI against one another, applying the same cost competitiveness criteria it had used in the first five RAM auctions.¹⁰ Again, the RAM VI bids SDG&E chose not to move forward with fell outside the top 10% of bids on a bid ranking price basis.

Second, in its determination of cost competitiveness, not only did SDG&E consider the fact that the bids SDG&E chose not to move forward with ranked outside of the top 10% in terms of bid ranking price, but SDG&E also considered the significant price difference between those it shortlisted and those it did not. The difference between the bids SDG&E was willing to move forward with and the next best available bid it did not move forward with was ~\$5.27/MWh. Accordingly, from a nominal total contract cost perspective, the next best available bid that SDG&E chose not to move forward with would have cost SDG&E ratepayers approximately \$24

⁷ Draft Resolution, p. 6.

⁸ D.10-12-048, p. 36 (emphasis added).

⁹ Draft Resolution E-4414, p. 25.

¹⁰ SDG&E AL 2849-E (Appendix C, p. 7): SDG&E throughout RAM has routinely only shortlisted and signed the top 10% of bids (i.e. 90th percentile and above) in terms of bid ranking price in each RAM solicitation. SDG&E evaluated the supply curve of bids received in RAM VI and assessed whether any of the bid prices were unreasonable and uncompetitive relative to SDG&E’s other renewable opportunities. As with other RAM solicitations, the bids SDG&E attempted to shortlist in RAM VI were in the top 10% of bids. The remaining bids fell below this threshold and were deemed unreasonable and uncompetitive.

million more than the bids SDG&E shortlisted. SDG&E's analysis determined that such a difference was significant and would be untenable for SDG&E ratepayers.

Third, SDG&E then compared the bids received in SDG&E's RAM VI auction to the most recently available relevant set of contract prices from the prior two years – bids received in SDG&E's RAM V auction (which closed on June 27, 2014), and bids received in SDG&E's 2013 RPS solicitation (which closed on January 29, 2014). Both the RAM V and the 2013 RPS RFO shortlisted bids were less expensive on a bid ranking price basis than all but the shortlisted and contingently shortlisted RAM VI bids. As a result of this comparison and those outlined above, SDG&E elected to forgo proceeding with other RAM VI bids beyond those it had shortlisted, as the prices of the remaining bids were not only not within the top 10% of bids received, but were much more expensive relative to the bids it had shortlisted, and were also more costly than SDG&E's other renewable opportunities (i.e. SDG&E's most recent and relevant solicitations).

Further, the Resolution completely disregards the findings of the Independent Evaluator ("IE") used in SDG&E's RAM VI solicitation, who provided a comprehensive review and analysis of SDG&E's bids and bidding practices related to the RAM program. The RAM Decision directs the IOUs to utilize an IE for each RAM solicitation "to ensure that the competitive solicitations are administered fairly and properly,"¹¹ and to include the IE's assessment of the auction and results in its AL. In compliance with this directive, SDG&E included PA Consulting's Report as an attachment to its AL 2849-E. PA Consulting (the IE SDG&E utilized in all of its RAM solicitations) noted that "the next bid was priced 15% higher than the lowest cost bid received as part of this RFO,"¹² and concluded that "SDG&E conducted a fair solicitation that was consistent with Commission decisions. Due to bidder's withdrawal, decline of SDG&E's selection, and non-conformance, none of the selected RAM offers were ultimately contracted... **the decision to not select a more expensive RAM bid results in the best overall value to ratepayers.**"¹³ In short, the party tasked with remaining independent and unbiased in overseeing the solicitation agreed with SDG&E's process and decision not to move forward with additional bids.

Lastly, SDG&E utilized the same methodology described above to analyze the results of its RAM V auction, comparing bids received against one another utilizing the 90% threshold,¹⁴ comparing pricing differences between those it shortlisted and those it did not, and comparing RAM V bids it received against other comparable renewable opportunities.¹⁵ SDG&E executed no RAM contracts due to RAM V bids being non-competitive as compared to SDG&E's other renewable opportunities.¹⁶ The Commission approved SDG&E's AL 2669-E on January 17, 2015. The Commission provides no basis as to why it found the methodology described above and resulting conclusion compelling in 2015 but not in 2016. The IOUs were instructed to utilize the direction provided by D.10-12-048 for RAM VI,¹⁷ as such, the solicitation parameters, including IOU discretion, were identical between RAM V and RAM VI – no basis exists to treat SDG&E's ALs from both auctions differently. If the Commission disagreed with the parameters set forth in the RAM Decision it could have exercised its authority to change them, but chose not

¹¹ D.10-12-048, p. 36.

¹² SDG&E AL 2849-E, Appendix E, p. 12.

¹³ *Id.*, Appendix E, p. 16.

¹⁴ *Id.*, Appendix C, p. 6.

¹⁵ *Id.*, Appendix C, p. 7.

¹⁶ *Id.*

¹⁷ D.14-11-042, p. 103.

to. A complete reversal in position at this point does not promote regulatory certainty, ignores the facts presented by SDG&E, disregards direction provided by the RAM Decision, and is inconsistent with Commission precedent. The Resolution should be corrected to reflect the fact SDG&E provided proper justification, as well as IE endorsement of its decision to not contract with any resources as a result of its RAM VI bid evaluation, and that SDG&E is fully compliant with the RAM program requirements.

The Draft Resolution errs by failing to consider the facts associated with SDG&E's carefully crafted processes used in assessing RAM bids, as well as the bids themselves. The Draft Resolution further errs by failing to consider that the Commission, through the IE and other Commission avenues, has evaluated these same matters on an ongoing and comprehensive basis and found that SDG&E has acted "consistent with Commission decisions."¹⁸ The Draft Resolution should and must be changed accordingly.

C. SDG&E's use of its Commission-Authorized Discretion to Assess Price Competitiveness is Consistent with the RAM Decision

The Resolution claims that "SDG&E has **over relied** on the discretion provided in D.10-12-048."¹⁹ This statement errs by ignoring the plain language of the RAM Decision²⁰ which determined that "[i]t is reasonable for an IOU to have the discretion to reject bids if they are not cost competitive or if there is evidence of market manipulation,"²¹ and places no limit on the frequency of the use of such discretion, or the amount of capacity that can be rejected using such discretion.

The Commission did not specify the metrics an IOU must use to determine price competitiveness, as it was confident that the IOUs had ample renewable contracting experience from which to draw in setting such parameters. It allowed the IOUs to "reject an entire auction's results based on such an assessment or reject individual bids even before their allocated capacity cap has been reached."²² SDG&E has held six RAM auctions over the past five years, and pursuant to the RAM Decision developed and consistently used its own competitiveness thresholds (as described in the section above) which triggered SDG&E's utilization of the discretion provided therein exactly twice, resulting in the execution of no contracts for the RAM program in both instances – once in RAM V,²³ and again in RAM VI. The Draft Resolution errs by attempting to impose a new limit – albeit one that is not specified in a Commission Order.

The Resolution proposes to force SDG&E to procure up to its authorized RAM program capacity cap (165 MW), or in other words, **to require** SDG&E to use its "discretion" to determine and apply a competitiveness threshold resulting in no executed contracts only once, followed by

¹⁸ SDG&E AL 2849-E, Appendix E, Independent Evaluator Report on the Summer 2015 Renewable Auction Mechanism RFO dated January 13, 2016, at 16 (attached).

¹⁹ Draft Resolution, p. 5 (emphasis added). This statement is curious in a number of respects, not the least of which is the implicit acknowledgement that SDG&E did, in fact, rely on and act in accordance with Commission precedent. However, the Draft Resolution does not explain generally why "over reliance" on a Commission Order or directive should be objectionable.

²⁰ D.14-11-042, p. 83 (direction that the program components of RAM VI are to be consistent with D.10-12-048).

²¹ D.10-12-048, p. 83.

²² *Id.*, p. 36.

²³ SDG&E AL 2669-E, effective December 19, 2014.

procurement of any remaining capacity at any price. Nowhere in D.10-12-048 or in any Commission-issued RAM Resolution does it say that the IOUs can utilize its discretion only once, nor that any remaining capacity after such an instance is to be procured at all costs. If this were the Commission's intention, it could have adjusted RAM program rules at any juncture since 2010, but chose not to.

To approve SDG&E's use of the discretion provided by D.10-12-048 in one instance,²⁴ and to then propose to reject an essentially identical filing one year later does not promote regulatory certainty, ignores the facts presented by SDG&E, disregards direction provided by the RAM Decision, and is inconsistent with Commission precedent. The Resolution should be corrected to reflect the fact SDG&E utilized the discretion provided to it by D.10-12-048 as directed, and SDG&E is fully compliant with the RAM program requirements.

Further, SDG&E chose the appropriate regulatory venue with which to demonstrate why bids were rejected before its capacity authorization was met. D.10-12-048 specifically stated that if an IOU was not going to execute enough contracts to meet its capacity authorization, it should justify its decision in a Tier 2 advice letter.²⁵ AL 2849-E was just such an advice letter. Any suggestion that SDG&E's justification for failing to meet its RAM capacity authorization should have come in some other regulatory vehicle, such as a petition for modification, is without merit and contrary to what is set forth by D.10-12-048.

D. The Reasons and Rationales Behind the RAM Program Have Been Met

The Resolution states that in addition to meeting RPS need, RAM has "...been approved to promote the growth of renewable segments."²⁶ SDG&E agrees with the Resolution that the RAM had two objectives, to help the IOUs reach their RPS targets in a timely manner and to encourage the growth of the market for small renewable projects.²⁷ However, SDG&E wholly disagrees with, and the Resolution errs and ignores Commission precedent in its proposition that the RAM goals have not been met. It is beyond dispute that the primary goal of the RAM program, meeting RPS requirements, has been aggressively pursued and completely achieved by SDG&E. In its 2015 RPS Plan, SDG&E requested that it not be required to hold a 2015 RPS solicitation, stating "it is likely that SDG&E will not hold an RPS RFO for the next several years given its current forecasted position."²⁸ The 2015 RPS Plan Decision states that "SDG&E's showing regarding its compliance with current statutory RPS procurement mandates justifies granting... SDG&E's request to not holding [sic] a solicitation in 2015."²⁹ SDG&E made this same request in its 2014 RPS Plan, and the 2014 RPS Plan Decision (D.14-11-042) reached the same conclusion,³⁰ granting SDG&E's request to not hold a 2014 RPS solicitation. SDG&E is on track to deliver more than 40 percent clean renewable energy by 2018, and 50 percent RPS by 2030, without increasing its procurement of RAM power.³¹ SDG&E submits that future RPS targets and GHG reduction efforts should be part of the more holistic planning efforts of the Integrated Resource Plan ("IRP"). Carrying out additional RAM procurement regardless of need

²⁴ *Id.*

²⁵ D.10-12-048, footnote 60, p. 36, *See also* COL 23, p. 89, Appendix A, p. 2.

²⁶ Draft Resolution, p. 7.

²⁷ D.14-11-042, pp. 87, 91.

²⁸ SDG&E Final 2015 RPS Plan, Attachment A, p. 14.

²⁹ D.15-12-025, p. 120.

³⁰ D.14-11-042, pp. 32, 112, 118, 128.

³¹ <http://www.sdge.com/newsroom/5ways> (last visited July 1, 2016).

and cost does nothing to achieve the optimization goals set forth by SB 350 and would come at the expense of ratepayers.

In addition, based on Commission findings, it is quite clear the secondary goal of the RAM program, proving a forum for smaller renewable projects to compete, has also been met. The Commission initiated a review of the RAM program in December of 2013 concluding “[t]he RAM program created a robust market for renewable energy projects sized 3-20 MW.”³² The Commission recognized this in D.14-11-042, stating that “[b]y simply continuing RAM with adding more capacity and more auctions, we would fail to recognize the growth of the market since 2010 and that the original purpose of RAM, i.e., promoting the smaller renewable market and supporting the IOUs’ RPS compliance goals, is not as central today. Furthermore, in contrast to the situation when the Commission adopted RAM, the IOUs today are in a positive position for meeting their statutory RPS compliance target for compliance periods 2011-2013 and 2014-2016 and are expected to meet their compliance period 2017-2020 obligations with relatively minimal additional procurement. Therefore, the original objectives of RAM have been met.”³³

SDG&E’s current RPS position and the maturity in the market for small renewables demonstrate the fundamental shift that has occurred between the circumstances at the time of RAM program adoption to the present. SDG&E urges the Commission not to insist on interim RAM targets when the overall, broader RPS targets and objectives have been fully achieved. Doing so would be an unfortunate and unjustified triumph of form over substance, would not develop “greener” power or new niche markets, and would require customers to bear the brunt of unnecessary, uneconomic power.

However, the question of meeting RAM targets should not be conflated with compliance. Since D.10-012-048, SDG&E has fully supported and continues to support RAM, and SDG&E has complied with all RAM-related directives. The reality that SDG&E was not able to subscribe sufficient bids due to project failures and a lack of cost competitiveness is a reflection of the range of economic and risk profiles between projects and in no way reflects SDG&E’s compliance with the Commission’s directives.

E. SDG&E Acted in Good Faith to Procure its Full RAM Target and Consistently Kept the Commission and Parties Apprised of its Progress

The Resolution asserts, without factual or other justification, and without any acknowledgement of the extensive factual support that SDG&E has provide in Appendix C, that “SDG&E has not provided adequate justification that it put forth good faith effort to meet its overall RAM target or justified why it was consistently unable to meet its RAM auction targets.”³⁴ Adding further that “[i]t is not clear why SDG&E would initially shortlist one 20 MW project to meet a RAM shortfall of 102.3 MW.”³⁵ These statements err by ignoring the reality, as noted at the outset, that RAM is not a must-take program, but a capacity authorization, and that it would be nonsensical to have SDG&E shortlist projects that were more expensive than its other renewable opportunities.

³² Administrative Law Judge’s Ruling Requesting Comments on the Renewable Auction Mechanism, dated 12/31/2013, p. 13. See also “The robust response to the first three RAM auctions appears to demonstrate that the RAM program has stimulated the 3-20 MW renewable market.” *Id.*, p. 5.

³³ D.14-11-042, p. 91.

³⁴ Draft Resolution, p. 7.

³⁵ *Id.*, p. 6.

These statements also err by omitting the facts (data) provided in each of SDG&E's six RAM ALs. SDG&E's RAM program authorization was 165 MW,³⁶ and SDG&E has signed over 140 MW of capacity through its various RAM solicitations (and sought to shortlist almost double this amount). If this consistently significant effort and level of RAM subscriptions do not constitute a good faith effort in the Commission's eyes, it is unclear what would.

SDG&E's efforts to reach its RAM target were undermined as projects SDG&E attempted to shortlist either declined their shortlisted position or ultimately failed after contracting. SDG&E held numerous Annual RAM Program Forums where it sought feedback from the market in an effort to improve the RAM program as a whole, and to increase the viability of projects bid into SDG&E's RAM solicitations. SDG&E also worked with its IE to continually improve the RAM solicitation process based on lessons learned in each RAM solicitation. However, the fact that projects declined their shortlisted position, or were signed to a RAM PPA but later failed, and no additional competitively priced bids were available, is ultimately not within SDG&E's control. Suggesting a lack of "good faith" is a gross distortion of the relevant facts, none of which are mentioned in the Draft Resolution.

As required, all of SDG&E's shortlisted RAM bids were selected based on lowest price, presented to SDG&E's PRG, reviewed by the IE, submitted via a Tier 2 AL,³⁷ and reported on at appropriate intervals in the RAM Annual Reports. The Commission was provided due notice of the status of SDG&E's RAM program at every juncture, and it approved the first five of SDG&E's RAM auctions, one of which (RAM V), did not result in any executed contracts. If the Commission disagreed with the parameters set forth in the RAM Decision it could have exercised its authority to change them, but chose not to. Objecting to SDG&E's use of the RAM program parameters now, nearly one year after RAM VI has closed, does not promote regulatory certainty, ignores the facts presented by SDG&E, disregards direction provided by the RAM Decision, and is inconsistent with Commission precedent. The Resolution should be corrected to reflect the fact SDG&E sought in good faith to procure its authorized RAM program capacity cap, continually kept the Commission and parties informed regarding its progress, and is fully compliant with the RAM program requirements.

F. SDG&E Should Not be required to Procure Stale RAM VI Bids

The Draft Resolution orders SDG&E "...to procure the remaining additional megawatts from the bids it received in its RAM VI solicitation,"³⁸ however it fails to account for the impracticalities of such an order. Bidding for RAM VI closed nearly a year ago (August 21, 2015 was the deadline to submit RAM VI bids), and it is very likely that many of the bids presented at that time are no longer available, and/or stale. Due to the time sensitive nature of project development, it is highly unlikely the viability criteria demonstrated by the projects that bid into SDG&E's RAM VI, nor the prices bid into RAM VI, are current or available. Bidders provide several forms of viability documentation and pricing at the time of bid submittal – if a project does not receive a contract, it has zero incentive to maintain these items following the date of the appreciation letter to unsuccessful bidders (December 11, 2015 in this case). Such a lengthy delay renders project milestone schedules completely outdated, thereby impacting project economics and the ability of bidders to honor the associated bid prices. Indeed it is quite possible a number of projects are simply no longer available to SDG&E due to projects contracting with other entities

³⁶ SDG&E AL 2849-E, p. 4.

³⁷ D.10-12-048 footnote 60, p. 36. See *a/so* Appendix A, p. 2.

³⁸ Draft Resolution, p. 7.

or simply being abandoned from further development. Forcing SDG&E to contract based on stale bids that were overpriced as of 2015 (the passage of one year has done nothing to improve this assessment) is inconsistent with the RAM program parameters which seek to protect ratepayers from overpayment and ensure contracting with viable projects. Accordingly, SDG&E should not be required to procure stale RAM VI bids.

At the same time, SDG&E reiterates its strong concern that, in the event of continued RAM procurement, the Commission will be directing SDG&E to procure unneeded, expensive power, despite the fact that SDG&E has fully achieved the Commission's overall RPS goals for SDG&E. SDG&E urges that the Commission not direct SDG&E to procure additional RAM power.

G. SDG&E Sought in Good Faith to Procure to Meet its 2015 EJ Target

The Resolution states that "SDG&E has not demonstrated that it attempted to procure any megawatts from the EJ Reservation... [meaning that it] did not comply with the EJ Reservation mandate of D.15-01-051, [therefore] we will evaluate whether any sanction is required in the GTSR proceeding."³⁹ This statement errs by ignoring the facts (data) contained within AL 2849-E as well as the plain language of D.15-01-051.

AL 2849-E lists the products sought in RAM VI (including approximately 1.75 MW of EJ capacity),⁴⁰ as well as contract terms (including EJ procurement capacity parameters),⁴¹ and includes Appendix D (Analysis of Customer Benefits) which contains an Excel spreadsheet listing all conforming bids, none of which are 1 MW or less and located in an EJ area. SDG&E's ability to procure EJ capacity was limited by the number of conforming EJ offers SDG&E received. In this case, no EJ projects submitted bids, and as such, none were procured. This is not an instance of noncompliance as the Resolution suggests – SDG&E cannot contract with facilities that do not provide bids, and D.15-01-051 does not specify an EJ mandate generally or for RAM VI. Rather D.15-01-051 set "initial participation goals"⁴² for GTSR procurement in 2015.

As a practical matter, it is unreasonable to hold SDG&E responsible for the volume and type of bids it receives, not to mention threatening sanctions for a situation SDG&E cannot control. It is equally inappropriate to disregard D.15-01-051 as well as information provided by SDG&E to the Commission that would render the Resolution's conclusion regarding SDG&E's solicitation of EJ capacity incorrect. The Resolution should be clarified to state that SDG&E is fully compliant with D.15-01-051, and that AL 2849-E demonstrated the following: (i) EJ projects were specifically solicited in SDG&E's RAM VI solicitation, (ii) SDG&E's PPA contemplated such procurement, and (iii) no EJ bids were received, therefore SDG&E was reasonably unable to contract with such resources. For these reasons, the Draft Resolution should be modified to remove the error associated with its inaccurate assessment of SDG&E's actions and responsibilities for meeting the EJ Target.

H. Approval of SDG&E's Solar Frontier PPA Should be Expedited

³⁹ Draft Resolution, p. 5 (referring to the Green Tariff Shared Renewables ("GTSR") proceeding).

⁴⁰ SDG&E AL 2849-E, p. 3.

⁴¹ *Id.* p. 8.

⁴² D.15-01-051, p 32.

SDG&E requests that the Resolution on SDG&E's RAM VI Advice Letter be issued expeditiously. The draft Resolution approved Solar Frontier's 20 MW solar project 97WI 8ME LLC (i.e. Midway Solar Farm III) per SDG&E's request. Solar Frontier's ability to move forward with financing and construction of the project is now hampered by the delays associated with the approval of SDG&E's advice letter. These delays are causing frustration for the developer and are creating uncertainty for a project that is supported by both SDG&E and the Commission. Although SDG&E acknowledges and supports the fact that RAM PPAs are non-modifiable, in this unique circumstance, SDG&E requests the Commission allow the parties to reasonably modify the PPA as follows:

- Modify the Commission approval condition precedent to allow for the delayed decision; and
- Modify the provision regarding early commercial operation to allow for an even earlier commercial operation date of the project.

SDG&E urges the Commission to allow these ministerial modifications to the PPA and render a timely decision (e.g., a summary line Order from the Director of the Energy Division) so that the developer may move forward with project development to bring the project's benefits to SDG&E customers that will participate in the GTSR program.

Sincerely,

CLAY FABER
Director – Federal & CA Regulatory

cc: Service List: R.15-02-020
Paul Douglas – Energy Division
Cheryl Lee – Energy Division

San Diego Gas & Electric Comments to Draft Resolution E-4783
July 1, 2016

CONFIDENTIAL DECLARATION

FERNANDO VALERO

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA
DECLARATION OF FERNANDO VALERO REGARDING CONFIDENTIALITY
OF CERTAIN DATA**

I, Fernando Valero, do declare as follows:

1. I am a Partnerships and Programs Manager for San Diego Gas & Electric Company (“SDG&E”). I have reviewed SDG&E’s Comments on Draft Resolution E-4783 (with attached confidential and public appendices), dated July 1, 2016 (“SDG&E’s Comments”). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or belief.

2. I hereby provide this Declaration in accordance with D.06-06-066, as modified by D.07-05-032, and D.08-04-023, to demonstrate that the confidential information (“Protected Information”) provided in SDG&E’s Comments submitted concurrently herewith, falls within the scope of data protected pursuant to the IOU Matrix attached to D.06-06-066 (the “IOU Matrix”).^{1/} In addition, the Commission has made clear that information must be protected where “it matches a Matrix category exactly . . . or consists of information from which that information may be easily derived.”^{2/}

3. I address below each of the following five features of Ordering Paragraph 2 in D.06-06-066:

^{1/} The Matrix is derived from the statutory protections extended to non-public market sensitive and trade secret information. (See D.06-06-066, *mimeo*, note 1, Ordering Paragraph 1). The Commission is obligated to act in a manner consistent with applicable law. The analysis of protection afforded under the Matrix must always produce a result that is consistent with the relevant underlying statutes; if information is eligible for statutory protection, it must be protected under the Matrix. (See *Southern California Edison Co. v. Public Utilities Comm.* 2000 Cal. App. LEXIS 995, *38-39) Thus, by claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

^{2/} See, *Administrative Law Judge’s Ruling on San Diego Gas & Electric Company’s April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027, p. 2 (emphasis added).

- That the material constitutes a particular type of data listed in the Matrix,
- The category or categories in the Matrix to which the data corresponds,
- That it is complying with the limitations on confidentiality specified in the Matrix for that type of data,
- That the information is not already public, and
- That the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.^{3/}

4. SDG&E's Protected Information: As directed by the Commission,

SDG&E demonstrates in table form below that the instant confidentiality request satisfies the requirements of D.06-06-066:^{4/}

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<i>Bid Information</i> <i>Location</i> <i>1. Confidential Appendix C – RAM Valuation Process Summary.</i>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The data provided are non-public bid data from SDG&E's Summer 2015 RAM Solicitation (RAM VI).
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category VIII.A.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential until the final contracts from each

^{3/} D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

^{4/} See, *Administrative Law Judge's Ruling on San Diego Gas & Electric Company's Motions to File Data Under Seal*, issued April 30 in R.06-05-027, p. 7, Ordering Paragraph 3 ("In all future filings, SDG&E shall include with any request for confidentiality a table that lists the five D.06-06-066 Matrix requirements, and explains how each item of data meets the matrix").

		of the Solicitations have been submitted to the CPUC for approval.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	SDG&E cannot summarize or aggregate the bid data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.
<p><i>Specific Quantitative Analysis</i></p> <p><i>Location:</i></p> <p><i>1. Confidential Appendix C – embedded RAM Valuation Process Summary.</i></p>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	These data are from SDG&E’s specific quantitative analysis involved in scoring and evaluating renewable bids. Some of the data also involve analysis/evaluation of proposed RAM projects.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix categories VII.G and/or VIII.B.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential for three years.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.

	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	SDG&E cannot summarize or aggregate the evaluation data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.
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5. As an alternative basis for requesting confidential treatment, SDG&E submits that the Confidential Appendix C enclosed in SDG&E's Comments are material, market sensitive, electric procurement-related information protected under §§ 454.5(g) and 583, as well as trade secret information protected under Govt. Code § 6254(k). Disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.^{11/}

6. Public Utilities Code § 454.5(g) provides:

The Commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be

^{11/} This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See, Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead inconsistent, mutually exclusive remedies, such as breach of contract and specific performance, in the same complaint); *Tanforan v. Tanforan*, 173 Cal. 270, 274 (1916) ("Since . . . inconsistent causes of action may be pleaded, it is not proper for the judge to force upon the plaintiff an election between those causes which he has a right to plead.")

provided access to this information under confidentiality procedures authorized by the commission.

7. General Order 66-C protects “[r]eports, records and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage.”

8. Under the Public Records Act, Govt. Code § 6254(k), records subject to the privileges established in the Evidence Code are not required to be disclosed.^{5/} Evidence Code § 1060 provides a privilege for trade secrets, which Civil Code § 3426.1 defines, in pertinent part, as information that derives independent economic value from not being generally known to the public or to other persons who could obtain value from its disclosure.

9. Public Utilities Code § 583 establishes a right to confidential treatment of information otherwise protected by law.^{6/}

10. If disclosed, the Protected Information could provide parties, with whom SDG&E is currently negotiating, insight into SDG&E’s procurement needs, which would unfairly undermine SDG&E’s negotiation position and could ultimately result in increased cost to ratepayers. In addition, if developers mistakenly perceive that SDG&E is not committed to assisting their projects, disclosure of the Protected Information could act as a disincentive to developers. Accordingly, pursuant to P.U. Code § 583, SDG&E seeks confidential treatment of this data, which falls within the scope of P.U. Code § 454.5(g), Evidence Code § 1060 and General Order 66-C.

^{5/} See also Govt. Code § 6254.7(d).

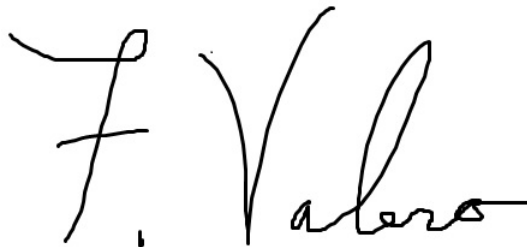
^{6/} See, D.06-06-066, *mimeo*, pp. 26-28.

11. Developers' Protected Information: The Protected Information also constitutes confidential trade secret information of the developers listed therein. SDG&E is required pursuant to the terms of its Power Purchase Agreement to protect non-public information. Some of the Protected Information in the Power Purchase Agreement and related confidential appendices relates directly to viability of the respective projects. Disclosure of this extremely sensitive information could harm the developers' ability to negotiate necessary contracts and/or could invite interference with project development by competitors.

12. In accordance with its obligations under its Power Purchase Agreement and pursuant to the relevant statutory provisions described herein, SDG&E hereby requests that the Protected Information be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 1st day of July, 2016 at San Diego, California.

A handwritten signature in black ink, appearing to read 'F. Valero', with a stylized flourish at the end.

Fernando Valero
Energy Contracts Originator
Electric and Fuel Procurement
San Diego Gas & Electric

San Diego Gas & Electric Comments to Draft Resolution E-4783
July 1, 2016

CONFIDENTIAL

APPENDIX C

(Previously submitted on January 15, 2016
via SDG&E Advice Letter 2849-E)

San Diego Gas & Electric Comments to Draft Resolution E-4783
July 1, 2016

INDEPENDENT EVALUATOR REPORT



SAN DIEGO GAS & ELECTRIC

Independent Evaluator Report on the
Summer 2015 Renewable Auction
Mechanism RFO

January 13, 2016



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EXECUTIVE SUMMARY

PA Consulting Group, Inc. ("PA") served as the Independent Evaluator ("IE") for the San Diego Gas & Electric ("SDG&E") Summer 2015 Renewable Auction Mechanism ("RAM") solicitation. This report provides PA's evaluation of the process from the drafting of the Request for Offers ("RFO") through to the recommendation of selected bids to the California Public Utilities Commission ("CPUC" or "Commission").

SDG&E launched its Summer 2015 RAM solicitation with the RFO issued July 13, 2015 and offers due August 21, 2015. This RAM RFO represents SDG&E's sixth simplified auction style RFO.

Pursuant to D. 14-11-042¹, the Commission adopted one additional RAM auction similar to the previous RAM auctions with the total RAM procurement requirement for SDG&E increased by 10 MW.

As part of the sixth RAM, SDG&E solicited additional solar capacity as required by D. 15-01-051² (the Green Tariff Shared Renewables Decision). This decision required SDG&E to implement two programs: (1) a Green Tariff ("SunRate") program, allowing customers to choose a higher percentage of renewable generation and (2) an Enhanced Community Renewables ("Share the Sun") program, allowing customers to participate in community-based projects. The Summer 2015 RAM solicitation included procurement for the SunRate program, but for not the Share the Sun program.

As part of the Summer 2015 RAM RFO, SDG&E was looking to procure approximately 100 MW of RAM products and 10.5 - 25 MW of solar capacity for SunRate capacity as summarized in Table ES-1.

Table ES-1: RAM and SunRate

Product	RAM VI 2015	SunRate
Baseload	11.5	n/a
Peaking As-Available	82.2	20.0
Non-Peaking As-Available	8.6	n/a
Total	102.3	20.0

¹ D. 14-11-042 issued November 24, 2014.

² D. 15-01-051 issued February 2, 2015.

The following outlines the major activities:

- SDG&E held the 2015 RAM Program Feedback Forum on January 23, 2015 to get feedback from bidders, answer questions, and discuss the initial plan for the Summer 2015 RAM RFO. PA participated in this forum and discussed the IE role as well as answered questions from bidders;
- SDG&E held a pre-bid conference on July 22, 2015. PA attended this as well to discuss the specific role of the IE for the solicitation and answer questions from bidders;
- SDG&E began accepting bids on July 13, 2015 and managed the submittal of bids and communication with bidders through the PowerAdvocate website;
- SDG&E reviewed the bids for conformance, developed a shortlist, selected the bids, and ultimately executed a PPA with the selected bid; and
- SDG&E provided monthly updates of the Summer 2015 RAM RFO activities as part of the monthly Procurement Review Group meetings.

SDG&E received a total of 41 bids and found 5 of these bids to be non-conforming as summarized in Table ES-2. PA reviewed all of the bids and agreed with SDG&E's determination of non-conformance.

Table ES-2: SDG&E Summer 2015 RAM RFO Total Bids Received (Including SunRate conformance)

	Baseload	Peaking As-Available	Non-Peaking As-Available	Total
Bids Received	4	32	5	41
Non-conforming	1	5	0	6
Conforming	3	27	5	35

Based on a review of the conforming bids, SDG&E selected one peaking as-available bid (20 MW) for RAM and one peaking as-available (20 MW) for SunRate as summarized in Table ES-3. SDG&E also contingently shortlisted four peaking as-available bids totaling 78 MW for RAM and one 20 MW peaking as-available bid for SunRate. PA reviewed SDG&E selection process by preparing an independent analysis and agreed with SDG&E's findings.

Table ES-3: SDG&E Summer 2015 RAM and SunRate RFO Initial Shortlist (MW)

	Baseload	Peaking As-Available	Non-Peaking As-Available	Total
RAM	0	20	0	20
SunRate	n/a	20	n/a	20

Prior to SDG&E sending the shortlist notices, the bidder withdrew the selected RAM bid. The same bidder withdrew 20 MW of contingent bids and declined SDG&E's shortlisted position for the next two 20 MW bids. The remaining 18 MW contingent bid was found to be non-conforming due to shared facilities. SDG&E

reviewed the remaining conforming bids but found them to be not competitive, as the next bid was priced 15% higher than the lowest cost bid received as part of this RFO and approximately 6% higher than the last shortlisted bid. PA reviewed and discussed these findings with SDG&E and agree with the results.

SDG&E notified the shortlisted bid for SunRate and the bidder accepted.

Through this process, SDG&E executed one 20 MW contract for SunRate and no RAM capacity.

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1 INTRODUCTION

SDG&E launched its Summer 2015 RAM solicitation with the RFO issued July 13, 2015 and offers due August 21, 2015. This RAM RFO represents SDG&E's sixth simplified auction style RFO. Background on the RAM program as well as SDG&E's specific RAM RFO process is provided in this section.

1.1 RAM Background

To promote small-scale renewable development (i.e., 20 MW or less) and supplement California's Renewable Portfolio Standard ("RPS") as well as other related factors, the CPUC in Decision (D.) 10-12-048 ("RAM Decision") issued on December 17, 2010 and Resolution E-4414 ("RAM Resolution") issued on August 22, 2011 approved and implemented RAM, a new auction based procurement mechanism for the three investor-owned utilities ("IOUs"): Pacific Gas and Electric Company ("PG&E"), Southern California Edison ("SCE"), and SDG&E.

The RAM Decision authorized the IOUs to procure eligible renewable resources located in the service territories of PG&E, SCE and SDG&E for the following three product categories:

- Baseload products: generation resources that produce energy around-the-clock
- Peaking As-Available products: generation resources whose energy production follows the IOU's hourly load profile during daytime hours
- Non-peaking As-Available products: generation resources whose energy production follows IOU's off peak hours, usually during the evening hours

Each of the three IOUs filed advice letters with the CPUC to implement the RAM program details that the CPUC approved, with several modifications regarding generators' eligibility as well as the overall RAM process. Some of these requirements are listed below:

- IOUs shall hold auctions every six months, with the first auction closing no later than November 15, 2011 and the second auction closing no later than May 31, 2012;
- IOUs shall solicit capacity from each product category: baseload, peaking as-available, and non-peaking as-available; SDG&E shall solicit a minimum of three MW from each product category;
- IOUs may procure plus or minus 20 MW of the capacity required in each product category as long as the total capacity procured in each auction is plus or minus 20 MW; and
- IOUs shall allow contract term lengths of 10, 15, and 20 years.

1.2 Changes for the May 2012 RAM

Pursuant to Resolution E-4489 and Decision D.12-02-022³, the CPUC required certain changes to SDG&E's May 2012 RAM RFO and RAM Power Purchase Agreement (PPA) as compared to SDG&E's

³ Resolution E-4489 issued on April 19, 2012 approved proposed changes to the RAM for PG&E, SCE, and SDG&E. Specifically, this resolution modified the Buyer's termination right related to commercial operation deadlines and created an option for either bids with energy-only or full capacity deliverability status; Decision 12-02-022 approved SDG&E's request to merge its Solar Energy Program ("SEP") target to procure 74 MWs of solar photovoltaic generation pursuant to power purchase agreements, with its RAM

2011 RAM solicitation. In compliance, SDG&E incorporated the following specific changes as well as other non-substantive changes to the RAM RFO materials⁴:

- Increased the deadline by which producers must bring their projects online from 18 months to 24 months after the date of Commission approval;
- Revised the RAM PPA to include optional provisions that can be tailored for either energy only or Full Capacity Deliverability Status ("FCDS") projects. The PPA does not require the seller to achieve FCDS as a condition precedent to the effectiveness of the contract, but it does provide a deadline by which FCDS projects must obtain FCDS. SDG&E will pay the seller a price that is discounted by the value of FCDS until the project achieves FCDS, which shall be no later than January 1, 2022. Once the seller achieves FCDS, it will receive a price that includes the value of FCDS;
- Included a methodology to consider the resource adequacy benefits and the cost of deliverability upgrades in its RAM RFO; and
- Increased the total target to 155 MW, which reflects the merging of SDG&E Solar Energy Program ("SEP") target to procure 74 MW of solar photovoltaic generation pursuant to power purchase agreements with its RAM target to procure 81 MW of renewable generation.

1.3 Changes for the November 2012 RAM

Pursuant to Resolution E-4546⁵, the CPUC required certain changes to SDG&E's November 2012 RAM RFO and RAM Power Purchase Agreement (PPA) as compared to SDG&E's previous RAM solicitations. In compliance, SDG&E incorporated the following specific changes as well as other non-substantive changes to the RAM RFO materials⁶:

- An existing facility may participate in RAM without restriction if the existing facility is not currently delivering energy pursuant to an existing contractual agreement with SDG&E, PG&E or SCE, or if such an agreement exists but it is scheduled to terminate within 24 months of the proposed effective date of the utility's PPA from that RAM auction, as estimated by that utility's RAM Bidding Protocol (e.g., April 12, 2013);
- Zero payment for a project's output during any hour in excess of 110% of the maximum possible output from the project's contracted capacity and reduced payment at 75% of the PPA price for each MWh of delivered energy from a RAM project in excess of 115% of the annual generation of the project's contracted annual generation deliveries; and
- Sellers may not procure resource adequacy benefits from a third-party to meet their obligations under the RAM PPA, nor may their resource adequacy benefits be greater than the Net Qualifying Capacity (NQC) of their facility.

1.4 Changes for the May 2013 RAM

Pursuant to Resolution E-4582⁷, the CPUC required certain changes to SDG&E's May 2013 RAM RFO and RAM PPA as compared to previous solicitations. In compliance, SDG&E incorporated the following changes as well as other non-substantive changes to the RAM RFO and RAM PPA:

- The May 2013 RAM solicitation was set to close by June 28, 2013;

target to procure 81 MWs of renewable generation. As a result, SDG&E filed Advice Letter 2232-E-D which officially increased SDG&E's total RAM target from 81 to 155 MWs in order to incorporate the SEP capacity into its RAM program.

⁴ SDG&E Advice Letter 2349-E, April 26, 2012.

⁵ Resolution E-4546 issued on November 8, 2012 approved proposed changes to the RAM for PG&E, SCE, and SDG&E.

⁶ SDG&E Advice Letter 2421-E, November 19, 2012.

⁷ Resolution E-4582 dated May 9, 2013.

- SDG&E reserved one-third of the previously authorized but unsubscribed RAM capacity allocation for the fifth RAM solicitation; and
- SDG&E set the target for the fourth RAM solicitation at two-thirds of the previously authorized but unsubscribed RAM capacity allocation.

1.5 Changes for the June 2014 RAM

Pursuant to Resolution E-4655⁸, the CPUC required certain changes to SDG&E's June 2014 RAM RFO and RAM PPA as compared to previous solicitations. In compliance, SDG&E incorporated the following changes as well as other non-substantive changes to the RAM RFO and RAM PPA:

- SDG&E changed the date for the facility to obtain full capacity deliverability status from December 31, 2021 to December 31, 2024; and
- SDG&E included economic curtailment provisions that were found reasonable in D. 13-11-024⁹.

1.6 Changes for the Summer 2015 RAM

Pursuant to D. 14-11-042¹⁰, the Commission adopted one additional RAM auction similar to the previous RAM auctions with the total RAM procurement requirement for SDG&E increased by 10 MW.

As part of the sixth RAM, SDG&E solicited additional solar capacity as required by D. 15-01-051¹¹ (the Green Tariff Shared Renewables Decision). This decision required SDG&E to implement two programs: (1) a Green Tariff ("SunRate") program, allowing customers to choose a higher percentage of renewable generation and (2) an Enhanced Community Renewables ("Share the Sun") program, allowing customers to participate in community-based projects. The Summer 2015 RAM solicitation included procurement for the SunRate program, but for not the Share the Sun program.

1.7 SDG&E RAM Process

SDG&E's RAM program is designed to procure a total of 165 MW over the course of six solicitations. The amount procured for the first five solicitations and the amounts planned to be procured in this solicitation are summarized in Table 1 by product category.

Table 1: SDG&E RAM Procurement Capacity Target (MW)*

Product	RAM I Nov 2011 (procured)	RAM II May 2012 (procured)	RAM III Nov 2012 (procured)	RAM IV May 2013 (procured)	RAM V 2014 (procured)	RAM VI 2015 (planned)	Total RAM Target
Baseload	0.0	4.5	0.0	5.0	0.0	11.5	21.0
Peaking As-Available	0.0	18.5	20.0	0.0	0.0	82.2	120.7
Non-Peaking As-Available	0.0	0.0	14.7	0.0	0.0	8.6	23.3
Total	0.0	23.0	34.7	5.0	0.0	102.3	165.0

* Updated to reflect RAM project failures to date.

⁸ Resolution E-4655 dated May 15, 2014.

⁹ D. 13-11-024 issued November 14, 2013.

¹⁰ D. 14-11-042 issued November 24, 2014.

¹¹ D. 15-01-051 issued February 2, 2015.

In addition to the RAM capacity targets listed in Table 1, SDG&E targeted procurement of 10.5 – 25 MW of solar capacity for SunRate capacity.

SDG&E established the schedule for its Summer 2015 RAM program as summarized in Table 2.

Table 2: SDG&E June 2014 RAM Schedule

Activity	Date
RFO issued and SDG&E begins accepting bids	July 13, 2015
Bidders conference	July 22, 2015
Deadline to submit questions	July 29, 2015
Deadline to submit RAM offers	August 21, 2015, noon PST
Notification to winning and contingent bidders	October 30, 2015
Winning bidders acceptance/withdrawal letter	November 6, 2015
Notification to contingent bidders	November 10, 2015
Contingent bidders acceptance/withdrawal letter	November 17, 2015
SDG&E issues appreciation notices to unsuccessful Respondents	December 11, 2015
PPA execution	December 11, 2015
SDG&E Submits Tier 2 Advice letter with PPAs to CPUC for approval	January 15, 2016
Anticipated CPUC approval (prior to any appeal and/or suspension)	February 12, 2016

SDG&E identified several resource eligibility requirements in its RAM program to be compliant with the CPUC's RAM Decision and RAM Resolution. In addition to a maximum size of 20 MW, resources must meet these primary resource eligibility requirements:

- California Energy Commission (CEC) certifiable as an eligible renewable resource
- Utilize a commercially-proven technology (at least 1 installation worldwide)
- New or existing facility¹² (SunRate Resources must be new facilities)
- Sell entire output to SDG&E; sale of partial output from a large system shall not be permitted

Other requirements regarding project capacity, location, and site control, interconnection status, developer experience, project start date, and other factors were included in SDG&E's RAM RFO for both RAM and SunRate projects, as well as a non-negotiable RAM PPA for selected projects to sign.

SDG&E designed a RAM bid assessment methodology and process to ensure that the bid selection process is transparent, does not favor any technology or counterparty, and is aligned with the RAM requirements. In this process, SDG&E would receive the bids up to the deadline and provide PA access to these bids in a timely manner, similar to procedures for previous renewable RFOs. Once the bids were received, SDG&E would prepare a quick conformance check based on forms submission and a quick review of eligibility. SDG&E would then produce a shortlist of the lowest preliminary bid ranking price¹³ to determine if the overall auction results were in a competitive market range. The shortlist would then be screened further for conformance with RAM eligibility requirements.

¹² Existing facilities are subject to an additional restriction regarding existing contracts as identified in E-4546.

¹³ Levelized contract cost adjusted for time-of-day as defined in SDG&E's RAM RFO adjusted for resource adequacy value.

For each of the conforming shortlisted bids, SDG&E would determine the network upgrade cost adder based on the interconnection study provided by the bidder.¹⁴ The network cost adder would be added to the preliminary bid ranking price to determine the Bid Ranking Price used to evaluate the bids. For FCDS bids, the deliverability cost adder would also be determined based on the interconnection study provided by the bidder.

The least expensive bids for each product category would be selected first based on the lowest Bid Ranking prices. In order to meet the SunRate procurement target of 10.5- 25 MW, SDG&E would consider the least expensive SunRate eligible bids for SunRate procurement first. SDG&E would examine the remaining bids to determine if any additional bids should be selected so the total selected would be within 20 MW of the target capacity. In addition to the selected bids, SDG&E may also identify any contingent bids that would be awarded if the selected bids declined or withdrew.

To the extent that the selection process resulted in either more or less than the targeted level of capacity in each product category, SDG&E would adjust the target levels accordingly in the next RAM RFO process.

1.8 Overview of Report

This report contains confidential and/or privileged materials. Review and access are restricted subject to PUC Sections 454.5(g), 583, d.06-06-066, GO 66-C and the Confidentiality Agreement with the CPUC.

This report generally follows the California Energy Division 2014 RPS Solicitation Shortlist Report Template dated 2/19/2015 adapted slightly because RAM is less complicated than a traditional RFO, as summarized below:

Table 3: California Energy Division 2014 RPS Solicitation Shortlist Report Template

Item	2014 RPS Solicitation Shortlist Report Template	PA Report Section
I	Executive Summary	Executive Summary
II	Describe the IE's role	Section 2
III	Did the IOU do adequate outreach to participants and was the solicitation robust?	Section 3
IV	Was the IOU's LCBF methodology designed such that offers were fairly evaluated?	Section 4
V	Was the LCBF offer evaluation process fairly administered?	Section 4
VI	Does the proposed RPS shortlist merit Commission approval?	Section 5

¹⁴ Bidders must have completed a System Impact Study, a Phase I interconnection study, or have passed WDAT Fast Track screens. Evidence of the most recent completed study or equivalent results from the Fast Track process must be included in the offer.

2 ROLE OF THE INDEPENDENT EVALUATOR

This section provides a description of the role of the IE throughout the solicitation and bid selection process, including PA's specific activities for SDG&E's Summer 2015 RAM RFO.

2.1 The IE role

Per CPUC (D.) 04-12-084, the CPUC requires an IE for IOU long-term resource procurement RFOs. The role of the IE is to provide advice to the utility on the design, administration, and evaluation aspects of the RFO. The CPUC clarified that the role of the IE is not to conduct or administer the solicitation, but to "separately evaluate and report on the IOU's entire solicitation, evaluation, and selection process."¹⁵

Additionally, the IE is to ensure that SDG&E treats all bidders fairly and equitably and that no technology or counterparty is favored. In particular, the IE is expected to assure that affiliate bids are not favored. The IE also ensures that the bid selection process is transparent and is aligned with the procurement requirements. SDG&E can also call on the IE's advice as to various evaluation issues that may arise during the RFO process.

2.2 PA's role as IE

PA performed the role of IE for SDG&E's six RAM RFOs. For each solicitation, PA was involved from SDG&E's development of the process and submittal of advice letter through to the selection of the bids. PA ensured that the procedure that SDG&E followed aligned with the process SDG&E established in its RFO and provided fair and equitable treatment of all bids. PA was in regular contact with SDG&E staff throughout the process, addressing SDG&E's questions and providing recommendations where there were potential issues.

2.2.1 2015 RAM Program Feedback Forum

PA participated in SDG&E's 2015 RAM Program Feedback Forum January 23, 2015. The purpose of this forum was to get feedback from bidders, answer questions, and discuss initial plan for the Summer 2015 RAM RFO.

2.2.2 Pre-bid Conference

PA participated in the pre-bid conference call, on July 22, 2015 and presented a description of the IE role as well as responded to questions. SDG&E presented the overall RAM RFO process and procedures, including a discussion of the distribution and transmission interconnection processes. SDG&E also provided a detailed review of the way in which the FCDS bids and energy only bids would be evaluated as well as a review of the appropriate way for the bidders to fill out the bid forms for FCDS and energy only bids. As part of this, SDG&E provided a detailed review of the way in which it would consider the value of

¹⁵ CPUC D.06-05-039, p. 46.

resource adequacy in evaluation of both FCDS and energy only bids as well as the locational value of the resource (either inside or outside of SDG&E's local area). SDG&E provided several examples and walked through them on a step-by-step basis to ensure that bidders understood the definitions and evaluation methodology. To help minimize invalid bid submissions, SDG&E also provided examples of common errors to avoid in submitting bids. SDG&E also discussed the SunRate program.

After the pre-bid conference, SDG&E received questions on the RAM RFO process. PA reviewed SDG&E's responses to these questions and provided comments to ensure that the responses were clear and accurate.

2.2.3 Bid submittal process

SDG&E began accepting bids on July 13, 2015 with a deadline at noon Pacific Standard Time on August 21, 2015. SDG&E used the PowerAdvocate website to manage the submittal of bids. PA was provided access to the site and could review the bids as they were received by SDG&E. Through this process, SDG&E provided a complete copy of all of the bids to PA.

SDG&E received a total of 41 bids summarized in Table 4 below.

Table 4: SDG&E Summer 2015 RAM RFO Total Bids Received

	Baseload	Peaking As-Available	Non-Peaking As-Available	Total
Number of bids	4	32	5	41

2.2.4 Initial bid review and conformance check

Once the bids were received, SDG&E completed an initial conformance check and identified 5 non-conforming bids from 5 counterparties. Two other bids were non-conforming for RAM but conforming for SunRate. PA reviewed the conformance check with SDG&E and verified the results.

The primary reasons for nonconformance included the following:

- Failure to provide complete interconnection agreement or interconnection study;
- Failure to provide all site control documentation;
- Project size did not meet RAM requirements;
- Project location did not meet RAM locational requirements (I.e., projects located in Imperial Irrigation District); or
- Missing or incorrect pricing form.

Based on the initial conformance check there were 36 conforming bids¹⁶ which includes the two SunRate bids.

Table 5: SDG&E Summer 2015 RAM RFO Conforming Bids Received (including SunRate conformance)

	Baseload	Peaking As-Available	Non-Peaking As-Available	Total
Number of bids	3	28	5	36

¹⁶ Based on the initial conformance check there were four non-conforming peaking as-available bids. In developing the shortlist of bids, one additional peaking as-available bid was deemed non-conforming because of shared facilities which resulted in a total of 35 conforming bids.

SDG&E compiled a list of the key components for each of the 36 conforming bids and provided a copy of the file to PA to compare and review. PA independently reviewed each bid and verified SDG&E's summary.

2.2.5 Bid selection

After the initial conformance check, SDG&E identified a shortlist of bids to review for further conformance checking. PA and SDG&E discussed the findings on a bid-by-bid basis. To the extent differences were identified, additional review and investigation was prepared by both SDG&E and PA to resolve any inconsistencies. All items were successfully resolved.

SDG&E initially selected one peaking as-available bid (20 MW) for RAM and one peaking as-available bid (20 MW) for SunRate. SDG&E also contingently shortlisted four peaking as-available bids totaling 78 MW for RAM and one 20 MW peaking as-available bid for SunRate.

Table 6: SDG&E Summer 2015 RAM and SunRate RFO Initial Shortlist (MW)

	Baseload	Peaking As-Available	Non-Peaking As-Available	Total
RAM	0	20	0	20
SunRate	n/a	20	n/a	20

Prior to SDG&E sending the shortlist notices, the bidder withdrew the selected RAM bid. The same bidder withdrew 20 MW of contingent bids and declined SDG&E's shortlisted position for the next two 20 MW bids. The remaining 18 MW contingent bid was found to be non-conforming due to shared facilities. SDG&E reviewed the remaining conforming bids but found them to be not competitive, as the next bid was priced 15% higher than the lowest cost bid received as part of this RFO and approximately 6% higher than the last shortlisted bid.

SDG&E notified the shortlisted bid for SunRate and the bidder accepted.

Through this process, SDG&E selected 20 MW for SunRate and no RAM capacity.

PA prepared an independent analysis of the bids and the results were consistent with the SDG&E analysis. PA discussed the overall findings with SDG&E and agree with SDG&E's selection.

2.2.6 SDG&E's Procurement Review Group meetings

PA reviewed and provided comments for the RAM RFO-related information presented by SDG&E at the PRG meetings for the period July 2015 through December 2015, and participated in these meetings as appropriate. Several of SDG&E's overall procurement activities are discussed at these meetings and only activities related to SDG&E's RAM RFO process are addressed in this report.

The following provides a summary of the key highlights, for each of the meetings, related to SDG&E's RAM RFO.

July 17, 2015

SDG&E discussed the RAM RFO schedule for RAM VI.

August 21, 2015

SDG&E provided an update of the RAM VI process including a summary of the bidders' conference.

September 18, 2015

SDG&E provided an initial summary of the results of the bidding process in terms of the number of bids received. A total of 41 bids were received.

October 16, 2015

SDG&E reviewed the results of the conformance analysis. Three of the bids were non-conforming for RAM and two of the remaining SunRate bids were non-conforming. SDG&E shortlisted two bids including 20 MW of peaking as-available for RAM and 20 MW of peaking as-available for SunRate. SDG&E also contingently shortlisted four peaking as-available bids totaling 78 MW for RAM and one 20 MW peaking as-available bid for SunRate.

November 20, 2015

SDG&E presented an update on the RAM VI process. The shortlisted RAM bids were either withdrawn by the bidder or found to be non-conforming. SDG&E also provided a table that included the next lowest cost bids that were not shortlisted. These bids were considered to be not competitive, as the next bid was priced 15% higher than the lowest cost bid received as part of this RFO and approximately 6% higher than the last shortlisted bid. Based on these results, no bids were selected for RAM. The shortlisted 20 MW SunRate project was accepted.

December 18, 2015

SDG&E presented an update on the RAM VI process and executed a PPA for the selected SunRate bid on December 11, 2015.

3 ADEQUACY OF OUTREACH AND ROBUSTNESS OF SOLICITATION

This section addresses the adequacy of SDG&E's outreach as well as the solicitation materials.

3.1 Adequacy of outreach

SDG&E's outreach included trade groups as well as the entities that have responded to SDG&E's previous RFOs. SDG&E publicized the RAM solicitation to Platt's MW Daily, California Energy Markets, and California Current.

PA believes that SDG&E extended appropriate outreach for this RAM RFO.

3.2 Solicitation materials

The bid forms used in this solicitation were similar to those SDG&E used in the previous RAM process except for the expansion to include the solicitation for SunRate capacity. SDG&E posted all materials on its website including the answers to questions submitted by the bidders.

In PA's opinion, SDG&E provided appropriate RFO solicitation materials and provided prompt response to any questions received by potential bidders.

3.3 2015 RAM Program Feedback Forum

SDG&E conducted a 2015 RAM Program Feedback Forum January 23, 2015. At this meeting, SDG&E presented information about the previous RAM procurements and planned changes for the Summer 2015 procurement. SDG&E discussed the issues encountered with bid submittals for previous RAMs as well as development issues for selected bids. SDG&E also answered bidders' questions.

3.4 Summer 2015 RAM RFO 2015 Pre-bid Conference

SDG&E held a pre-bid web-based conference on July 22, 2015. SDG&E presented the overall RAM RFO process and procedures, including a discussion of the distribution and transmission interconnection processes. SDG&E provided examples of common errors to avoid in submitting bids. SDG&E also discussed the incorporation of SunRate as part of this RFO and discussed the SunRate program.

4 FAIRNESS OF BIDDING AND SELECTION PROCESS

This section reviews the fairness of SDG&E's bidding and selection process. This auction based RFO process is different from SDG&E's other renewable RFO processes, so some of the review parameters used for other RFOs are not relevant for this one.

4.1 Principles used to determine fairness of process

PA used principles originally codified in PA's report on SDG&E's 2006 RPS RFO, adjusted appropriately for the RAM RFO Process:

- Were affiliate bids treated the same as non-affiliate ones?
- Were bidder questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for "clarifications" that provided any one bidder an advantage over others?
- Were bids given equal credibility in the economic evaluation?
- Was there a reasonable justification for any fixed parameters that enter into the methodology (e.g., resource adequacy value; debt equivalence parameters)?
- Were qualitative factors used only to distinguish among substantially equal bids?

4.2 Administration and bid processing

SDG&E addressed the administrative related activities appropriately:

- There were no affiliate bids included in this RFO.
- Bidder questions were answered fairly and consistently.
- SDG&E did not ask for clarifications in such a way as to advantage any bidder.

4.3 SDG&E's analysis

Quantitative bid analysis was conducted by SDG&E. PA prepared an independent analysis of the bids, and, through this process PA confirmed and verified SDG&E's findings.

SDG&E addressed the analytic requirements appropriately:

- The bids were given equal credibility in the economic evaluation.
- There were no fixed parameters that entered into the economic evaluation.
- There were no qualitative factors used to distinguish among substantially equal bids.

4.4 Transmission analysis

SDG&E's model incorporated the costs of required transmission network upgrades or additions, using the information provided from the interconnection study (or equivalent) provided by the bidder. For FCDS bids, SDG&E included the cost for deliverability upgrades. The methodology used to incorporate transmission costs was consistent with the methodology described in the RFO documents.

5 BID SELECTION RECOMMENDATION

Through the bid evaluation and selection process, PA believes that SDG&E conducted a fair solicitation that was consistent with Commission decisions.

Due to bidder's withdrawal, decline of SDG&E's selection, and non-conformance, none of the selected RAM offers were ultimately contracted. SDG&E did execute a PPA for one 20 MW SunRate bid. PA agrees that the decision to not select a more expensive RAM bid results in the best overall value to ratepayers. PA also supports the selection of the 20 MW SunRate bid.

6 RECOMMENDED CHANGES TO BID PROCESS

As noted in the initial RAM RFO documents, SDG&E planned to learn from previous RAM RFO auctions and SDG&E identified and incorporated changes in the Summer 2015 RAM process. Overall, the RAM VI process worked well and ran smoothly; however, it did not ultimately result in any selected bids for RAM but did result in the targeted 20 MW for SunRate. PA does not have any suggested changes for future RAM solicitations.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day, by electronic mail, served a true copy of comments to Draft Resolution E-4783 on all parties of record as follows:

Paul Douglas – Energy Division
Cheryl Lee – Energy Division
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An original and two copies were also sent via Federal Express to:

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Dated July 1, 2016 at San Diego, California.

/s/ Joff Morales

Joff Morales
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